TOWN OF SPERRY, OKLAHOMA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

CONTENTS

Member of the American Institute of Certified Public Accountants

Member of the Oklahoma Society of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Trustees
Town of Sperry, Oklahoma

We have audited the accompanying financial statements of the governmental activities, of the general fund, and the aggregate remaining fund information of the Town of Sperry, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the Town's primary government as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the Town of Sperry, Oklahoma, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Town's legal entity. The financial statements do not include financial data for the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Town's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Town of Sperry, Oklahoma, as of June 30, 2011, the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Town of Sperry, Oklahoma, has issued separate reporting entity financial statements, for which we have issued our reports dated July 19, and July 20, 2011.

Honorable Mayor and Board of Trustees
Town of Sperry, Oklahoma

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, of the general fund, and the aggregate remaining fund information for the primary government of the Town of Sperry, Oklahoma, as of June 30, 2011, and the respective changes in financial position and statement of revenue and expenditures and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2011, on our consideration of the Town of Sperry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Sperry, Oklahoma, has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements. Budgetary information is presented on page five.

Certified Public Accountant
Tulsa, Oklahoma

July 26, 2011

TOWN OF SPERRY, OKLAHOMA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS:	
Cash	$ 86,191
Cash – Emergency Services	47,658
Receivables:	
Taxes	14,347
Due from Cemetery Fund	7,138
Property and Equipment	648,988
Less: Accumulated Depreciation	<449,674>
	$354,648
LIABILITIES AND NET ASSETS:	
Claims Payable	$ 33,562
NET ASSETS:	
Invested in Fixed Assets	199,314
Unrestricted	121,772
Total Net Assets	$321,086
	$354,648

Notes to financial statements are an integral part of these statements.

TOWN OF SPERRY, OKLAHOMA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICE	OPERATING GRANTS AND CONTRI-BUTIONS	TOTAL GOVERNMENT ACTIVITIES
Government Activities				
General Government:				
Administration	$169,638			<$169,638>
Public Safety				
Police	127,896	$12,250	$ 6,875	< 108,771>
Fire	49,141	12,094	30,594	< 6,453>
Public Service				
Street	23,453	6,994		< 16,459>
Total Government Activities	$370,128	$31,338	$37,469	<$301,321>
General Revenues:				
Taxes				
Sales				$198,145
Franchise				14,918
Other Taxes				8,549
Emergency Services				24,608
Utility Lease				40,800
Interest				237
Miscellaneous				10,483
Total General Revenues and Transfers				$297,740
Changes in Net Assets				< 3,581>
Net Assets – Beginning				$424,819
Net Assets – Ending				421,238
Net Change in Net Assets – Government Funds				<$ 3,581>
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:				
Expenditures for Capital Assets			--	
Less Current Year Depreciation			$57,391	<$ 57,391>
Changes in Net Assets of Government Funds				$ 60,972

Notes to financial statements are an integral part of these statements.

1. Reporting Entity

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by generally accepted accounting principles as applied to government units. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the section governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

Excluded from the Reporting Entity:

Sperry Utility Service Authority

The Authority was created for the purpose of financing installation of water and service lines and providing utility services to the residents of the Town of Sperry. The Authority has issued revenue bonds which do not constitute debt of the Town. Trustees for the Authority are appointed by members of the Town Board of Trustees.

Rest Haven Cemetery

Rest Haven Cemetery was created to operate and manage Cemetery affairs including cash management, lot sales and interments, land acquisitions, capital improvements and maintenance of Cemetery property. Trustees for the Cemetery are appointed by members of the Town Board of Trustees.

2. Fund Accounting

The accounts of the Town are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report.

2. Fund Accounting - Continued

Governmental Funds

General Fund – The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

General Fixed Assets – This account group is used to account for land, buildings, improvements and equipment purchased by governmental funds. The historical cost of the Town's infrastructure, i.e., road, bridges, and gutters, streets and sidewalks, drainage systems, are reported in the Accounting Group. Depreciation expense is charged for assets in the Account Group. Buildings are written off over forty years and other items between five to ten years.

3. Basis of Accounting

The funds of the Town are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance expenditures of the current period. Expenditures are generally recognized when the related fund liability is incurred.

4. Annual Budget

The budget for the general fund is prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

5. Cash

For the purposes of the combined balance sheet, cash includes all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. All deposits are F.D.I.C. insured.

6. Claims Payable

Claims payable represent commitments related to performed contracts for goods or services. Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds.

7. Pension Plan

The full time employees of the Town have no pension plan. Volunteer Firemen's pensions are paid into the Oklahoma State Firefighter Pension and Retirement System, a multi-employer, defined benefit plan. The Town contributed its share of payroll to the State System and has no further liability to the System.

8. Estimates

The preparation of financial statements in conformity with the modified accrual basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

TOWN OF SPERRY, OKLAHOMA
STATEMENT OF ACTIVITIES – BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2011

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE <UNFAVORABLE>
Income:			
Sales & Use Tax	$163,800	$198,145	$34,345
Franchise Tax	12,700	14,918	2,218
License & Gas Tax	11,200	6,994	< 4,206>
Other Taxes	10,000	8,549	< 1,451>
Fines	11,631	12,250	619
Miscellaneous	3,200	8,041	4,841
Utility Lease	40,800	40,800	--
Interest	300	237	< 63>
Grants	40,000	6,875	< 33,125>
Emergency Services Transfer	25,400	24,608	< 792>
	$319,031	$321,417	$ 2,386
Expenses:			
Personnel Services	$183,000	$176,198	$ 6,802
Maintenance & Operations	136,000	144,973	< 8,973>
Court	8,000	6,181	1,819
Street & Alley	14,000	11,971	2,029
	$341,000	$339,323	$ 1,677

Notes to financial statements are an integral part of these statements.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Board of Trustees
Town of Sperry, Oklahoma

We have audited the financial statements of the governmental activities, of the general fund, and the aggregate remaining fund information of the Town of Sperry, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Sperry, Oklahoma's basic financial statements and have issued our report thereon dated July 26, 2011. The Town of Sperry has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Town of Sperry, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Sperry, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Sperry, Oklahoma's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Sperry, Oklahoma's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Sperry, Oklahoma's financial statements that is more than inconsequential will not be prevented or detected by the Town of Sperry, Oklahoma's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Sperry, Oklahoma's internal control.

Honorable Mayor and Board of Trustees
Town of Sperry, Oklahoma

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Town of Sperry, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Town Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant
Tulsa, Oklahoma

July 26, 2011